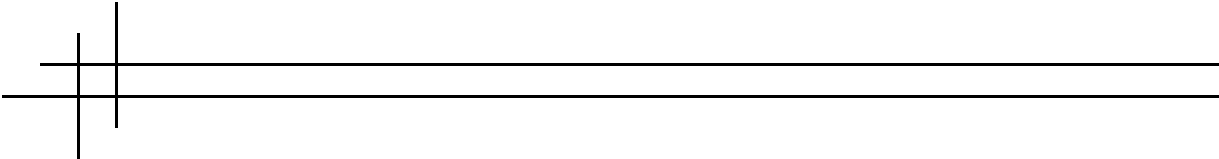




STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7

ANNUAL FINANCIAL REPORT
June 30, 2015

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



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STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
Official Roster
June 30, 2015

BOARD

Dwain Haynes	President
Buddy Little	Vice-President
John Wilbanks	Secretary
TJ Parks	Member
Brian Snider	Member

ADMINISTRATIVE

Belinda Morris	Executive Director
Karen Soria	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace, Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Regional Education Cooperative #7

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Regional Education Cooperative #7 (REC), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the REC's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the REC's nonmajor governmental funds, and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the REC as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the REC as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule required by 2.2.2 NMAC are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Vendor Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015, on our consideration of the REC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the REC's internal control over financial reporting and compliance.

De'Ann Willoughby, CPA PC

Clovis, New Mexico
September 29, 2015

FINANCIAL SECTION

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Government-Wide Statement of Net Position
 June 30, 2015

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 393,293
Due from Grantor	589,104
Total Current Assets	<u>982,397</u>
Noncurrent Assets	
Capital Assets	143,036
Less: Accumulated Depreciation	<u>(130,669)</u>
Total Noncurrent Assets	<u>12,367</u>
Total Assets	<u>994,764</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	<u>74,805</u>
Total Deferred Outflows of Resources	<u>74,805</u>
Liabilities	
Current Liabilities	
Accounts Payable	9,544
Compensated Absences	12,842
Total Current Liabilities	<u>22,386</u>
Long-Term Liabilities	
Pension Liability	<u>420,504</u>
Total Long-Term Liabilities	<u>420,504</u>
Total Liabilities	<u>442,890</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	<u>44,515</u>
Total Deferred Inflows of Resources	<u>44,515</u>
Net Position	
Net Investment in Capital Assets	12,367
Unrestricted	569,797
Total Net Position	<u>\$ 582,164</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 2,754,344	\$ 2,752,420	\$ 0	\$ (1,924)
Support Services				
Students	912,478	1,033,856	0	121,378
General Administration	1,120,928	1,448,113	0	327,185
School Administration	138,048	17,372	0	(120,676)
Central Services	133,469	13,494	0	(119,975)
Operation of Plant	17,542	3,614	0	(13,928)
Other	120,893	0	0	(120,893)
Food Service	278	278	0	0
Total Governmental Activities	<u>\$ 5,197,980</u>	<u>\$ 5,269,147</u>	<u>\$ 0</u>	<u>\$ 71,167</u>
General Revenues				
State Aid not Restricted to Specific Purpose				
General				<u>103,956</u>
Subtotal, General Revenues				<u>103,956</u>
Change in Net Position				<u>175,123</u>
Net Position - Beginning				791,573
Restatement for Net Pension Liability				<u>(384,532)</u>
Restated Beginning Net Position				<u>407,041</u>
Net Position - Ending				<u>\$ 582,164</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2015

	REC Operating <u>27101</u>	Medicaid 25153	IDEA B Entitlement <u>27106</u>
ASSETS			
Cash	\$ 0	\$ 393,293	\$ 0
Receivables			
Accounts and Grantors	0	0	47,229
Interfund Balance	<u>256,020</u>	<u>330,340</u>	<u>0</u>
Total Assets	<u>\$ 256,020</u>	<u>\$ 723,633</u>	<u>\$ 47,229</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 44,485
Accounts Payable	<u>711</u>	<u>6,089</u>	<u>2,744</u>
Total Liabilities	<u>711</u>	<u>6,089</u>	<u>47,229</u>
 Fund Balance			
Restricted for			
Special Revenue Funds	0	717,544	0
Unrestricted	<u>255,309</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>255,309</u>	<u>717,544</u>	<u>0</u>
 Total Liabilities & Fund Balance	 <u>\$ 256,020</u>	 <u>\$ 723,633</u>	 <u>\$ 47,229</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2015

	Pre K Initiative <u>27149</u>	ASSETS 27201	Best Buddies <u>27203</u>
ASSETS			
Cash	\$ 0	\$ 0	\$ 0
Receivables			
Accounts and Grantors	139,835	52,794	113,236
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 139,835</u>	<u>\$ 52,794</u>	<u>\$ 113,236</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund Balance	\$ 139,835	\$ 52,794	\$ 113,236
Accounts Payable	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>139,835</u>	<u>52,794</u>	<u>113,236</u>
 Fund Balance			
Restricted for			
Special Revenue Funds	0	0	0
Unrestricted	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
 Total Liabilities & Fund Balance	 <u>\$ 139,835</u>	 <u>\$ 52,794</u>	 <u>\$ 113,236</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2015

	ASSETS School Projects 27205	Other Governmental Funds	Total
ASSETS			
Cash	\$ 0	\$ 0	\$ 393,293
Receivables			
Accounts and Grantors	152,789	83,221	589,104
Interfund Balance	0	0	586,360
Total Assets	<u>\$ 152,789</u>	<u>\$ 83,221</u>	<u>\$ 1,568,757</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund Balance	\$ 152,789	\$ 83,221	\$ 586,360
Accounts Payable	0	0	9,544
Total Liabilities	<u>152,789</u>	<u>83,221</u>	<u>595,904</u>
 Fund Balance			
Restricted for			
Special Revenue Funds	0	0	717,544
Unrestricted	0	0	255,309
Total Fund Balance	<u>0</u>	<u>0</u>	<u>972,853</u>
 Total Liabilities & Fund Balance	 <u>\$ 152,789</u>	 <u>\$ 83,221</u>	 <u>\$ 1,568,757</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2015

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds	\$	972,853
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
Capital Assets	\$	143,036
Accumulated Depreciation		<u>(130,669)</u>
		12,367
<p>Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.</p>		
Deferred Outflows Related to Pensions		74,805
Deferred Inflows Related to Pensions		<u>(44,515)</u>
		30,290
<p>Long-term and certain other liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :</p>		
Compensated Absences		(12,842)
Pension Liability		<u>(420,504)</u>
		<u>(433,346)</u>
Total Net Position - Governmental Activities	\$	<u><u>582,164</u></u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2015

	REC Operating 27101	Medicaid 25153	IDEA B Entitlement 27106
Revenues			
Charge for Services	\$ 496,053	\$ 480,288	\$ 883,637
State Grants	103,956	0	0
Total Revenues	<u>600,009</u>	<u>480,288</u>	<u>883,637</u>
Expenditures			
Current Operations			
Instruction	1,925	0	344,867
Support Services			
Students	2,812	356,097	450,889
General Administration	168,742	0	87,881
School Administration	118,805	0	0
Central Services	118,201	0	0
Operation of Plant	12,728	0	0
Other Support Services	120,893	0	0
Food Service	0	0	0
Total Expenditures	<u>544,106</u>	<u>356,097</u>	<u>883,637</u>
Net Change in Fund Balance	55,903	124,191	0
Fund Balance Beginning of Year	<u>199,406</u>	<u>593,353</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 255,309</u>	<u>\$ 717,544</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
 GOVERNMENTAL FUNDS
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 For the Year Ended June 30, 2015

	Pre K Initiative 27149	ASSETS 27201	Best Buddies 27203
Revenues			
Charge for Services	\$ 468,501	\$ 586,306	\$ 274,193
State Grants	0	0	0
Total Revenues	<u>468,501</u>	<u>586,306</u>	<u>274,193</u>
Expenditures			
Current Operations			
Instruction	468,501	170,918	0
Support Services			
Students	0	0	0
General Administration	0	415,388	270,579
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	3,614
Other Support Services	0	0	0
Food Service	0	0	0
Total Expenditures	<u>468,501</u>	<u>586,306</u>	<u>274,193</u>
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE #7
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2015

	ASSETS School Projects 27205	Other Governmental Funds	Total
Revenues			
Charge for Services	\$ 1,781,207	\$ 298,962	\$ 5,269,147
State Grants	0	0	103,956
Total Revenues	<u>1,781,207</u>	<u>298,962</u>	<u>5,373,103</u>
Expenditures			
Current Operations			
Instruction	1,684,207	83,926	2,754,344
Support Services			
Students	0	102,680	912,478
General Administration	97,000	81,212	1,120,802
School Administration	0	17,372	136,177
Central Services	0	13,494	131,695
Operation of Plant	0	0	16,342
Other Support Services	0	0	120,893
Food Service	0	278	278
Total Expenditures	<u>1,781,207</u>	<u>298,962</u>	<u>5,193,009</u>
Net Change in Fund Balance	0	0	180,094
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>792,759</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 972,853</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2015

Excess (Deficiency) of Revenues Over Expenditures-Governmental Funds \$ 180,094

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	\$ (3,352)	
Capital Outlays	<u>0</u>	(3,352)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2014	16,905	
Compensated Absences, June 30, 2015	<u>(12,842)</u>	4,063

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension Expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	36,700	
Pension Expense	<u>(42,382)</u>	<u>(5,682)</u>

Changes in Net Position of Governmental Activities \$ 175,123

The notes to the financial statements are an integral part of this statement.

MAJOR FUNDS

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-REC OPERATING FUND-27101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 0	\$ 400,000	\$ 596,053	\$ 196,053
State Grant	100,000	100,000	103,956	3,956
Total Revenues	<u>100,000</u>	<u>500,000</u>	<u>700,009</u>	<u>200,009</u>
Expenditures				
Instruction				
Professional & Tech Services	0	1,800	1,796	4
Other Purchased Services	0	129	129	0
Total Instruction	<u>0</u>	<u>1,929</u>	<u>1,925</u>	<u>4</u>
Support Services				
Students				
Personnel Services	0	4,000	612	3,388
Professional & Tech Services	3,300	3,300	2,200	1,100
Total Students	<u>3,300</u>	<u>7,300</u>	<u>2,812</u>	<u>4,488</u>
General Administration				
Personnel Services	43,730	94,351	96,392	(2,041)
Employee Benefits	12,253	25,038	23,590	1,448
Professional & Tech Services	6,190	40,736	19,903	20,833
Other Purchased Services	1,600	5,153	4,511	642
Supplies	3,000	7,782	20,259	(12,477)
Supply Assets	300	5,124	5,051	73
Total General Administration	<u>67,073</u>	<u>178,184</u>	<u>169,706</u>	<u>8,478</u>
School Administration				
Personnel Services	0	88,576	88,518	58
Employee Benefits	0	35,106	29,221	5,885
Professional & Tech Services	500	1,067	1,066	1
Total School Administration	<u>500</u>	<u>124,749</u>	<u>118,805</u>	<u>5,944</u>
Central Services				
Personnel Services	17,780	83,969	83,967	2
Employee Benefits	9,757	35,713	29,438	6,275
Professional & Tech Services	594	4,239	4,148	91
Purchased Property Services	750	1,948	648	1,300
Other Purchased Services	80	80	0	80
Total Central Services	<u>28,961</u>	<u>125,949</u>	<u>118,201</u>	<u>7,748</u>
Operation & Maintenance of Plant				
Personnel Services	2,500	2,500	0	2,500
Purchased Property Services	1,700	11,294	4,831	6,463
Other Purchased Services	3,010	7,875	7,875	0
Total Operation & Maintenance of Plant	<u>\$ 7,210</u>	<u>\$ 21,669</u>	<u>\$ 12,706</u>	<u>\$ 8,963</u>

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-REC OPERATING FUND-27101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Other Support Services				
Miscellaneous	\$ 500	\$ 123,648	\$ 120,893	\$ 2,755
Total Other Support Services	<u>500</u>	<u>123,648</u>	<u>120,893</u>	<u>2,755</u>
Total Support Services	<u>107,544</u>	<u>581,499</u>	<u>543,123</u>	<u>38,376</u>
Total Expenditures	<u>107,544</u>	<u>583,428</u>	<u>545,048</u>	<u>38,380</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,544)	(83,428)	154,961	238,389
Cash Balance Beginning of Year	<u>101,059</u>	<u>101,059</u>	<u>101,059</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 93,515</u>	<u>\$ 17,631</u>	<u>\$ 256,020</u>	<u>\$ 238,389</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 154,961	
Net Change in Receivables			(100,000)	
Net Change in Accounts Payable			942	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 55,903</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-MEDICAID-25153
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 69,275	\$ 69,275	\$ 480,288	\$ 411,013
Total Revenues	<u>69,275</u>	<u>69,275</u>	<u>480,288</u>	<u>411,013</u>
Expenditures				
Support Services				
Students				
Professional & Tech Services	0	30,908	0	30,908
Other Purchased Services	0	380,592	360,212	20,380
Supplies	0	2,805	1,680	1,125
Supply Assets	0	2,695	2,695	0
Total Students	<u>0</u>	<u>417,000</u>	<u>364,587</u>	<u>52,413</u>
Total Support Services	<u>0</u>	<u>417,000</u>	<u>364,587</u>	<u>52,413</u>
Total Expenditures	<u>0</u>	<u>417,000</u>	<u>364,587</u>	<u>52,413</u>
Excess (Deficiency) of Revenues Over Expenditures	69,275	(347,725)	115,701	463,426
Cash Balance Beginning of Year	<u>607,932</u>	<u>607,932</u>	<u>607,932</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 677,207</u>	<u>\$ 260,207</u>	<u>\$ 723,633</u>	<u>\$ 463,426</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 115,701	
Net Change in Accounts Payable			<u>8,490</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 124,191</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA B ENTITLEMENT-27106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 12,078	\$ 2,236,739	\$ 854,036	\$ (1,382,703)
Total Revenues	<u>12,078</u>	<u>2,236,739</u>	<u>854,036</u>	<u>(1,382,703)</u>
Expenditures				
Instruction				
Professional & Tech Services	0	192,000	97,879	94,121
Purchased Property Services	0	1,000	0	1,000
Other Purchased Services	0	241,487	118,355	123,132
Supplies	0	478,053	124,005	354,048
Supply Assets	0	124,500	5,618	118,882
Total Instruction	<u>0</u>	<u>1,037,040</u>	<u>345,857</u>	<u>691,183</u>
Support Services				
Students				
Professional & Tech Services	0	595,527	248,279	347,248
Purchased Property Services	0	2,200	0	2,200
Other Purchased Services	0	7,052	4,076	2,976
Supplies	0	271,631	161,591	110,040
Supply Assets	0	218,799	38,758	180,041
Total Students	<u>0</u>	<u>1,095,209</u>	<u>452,704</u>	<u>352,424</u>
General Administration				
Professional & Tech Services	0	92,412	87,882	4,530
Total General Administration	<u>0</u>	<u>92,412</u>	<u>87,882</u>	<u>4,530</u>
Total Support Services	<u>0</u>	<u>1,187,621</u>	<u>540,586</u>	<u>356,954</u>
Total Expenditures	<u>0</u>	<u>2,224,661</u>	<u>886,443</u>	<u>1,048,137</u>
Excess (Deficiency) of Revenues Over Expenditures	12,078	12,078	(32,407)	(44,485)
Cash Balance Beginning of Year	<u>(12,078)</u>	<u>(12,078)</u>	<u>(12,078)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (44,485)</u>	<u>\$ (44,485)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (32,407)	
Net Change in Receivables			29,601	
Net Change in Accounts Payable			2,806	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-PRE K INITIATIVE-27149
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 742,844	\$ 742,844	\$ 528,510	\$ (214,334)
Total Revenues	<u>742,844</u>	<u>742,844</u>	<u>528,510</u>	<u>(214,334)</u>
Expenditures				
Instruction				
Other Purchased Services	524,900	524,352	450,780	73,572
Supplies	17,700	13,189	12,563	626
Supply Assets	400	5,459	5,158	301
Total Instruction	<u>543,000</u>	<u>543,000</u>	<u>468,501</u>	<u>74,499</u>
Total Expenditures	<u>543,000</u>	<u>543,000</u>	<u>468,501</u>	<u>74,499</u>
Excess (Deficiency) of Revenues Over Expenditures	199,844	199,844	60,009	(139,835)
Cash Balance Beginning of Year	<u>(199,844)</u>	<u>(199,844)</u>	<u>(199,844)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (139,835)</u>	<u>\$ (139,835)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 60,009	
Net Change in Receivables			<u>(60,009)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-ASSETS-27201
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 0	\$ 714,312	\$ 533,512	\$ (180,800)
Total Revenues	<u>0</u>	<u>714,312</u>	<u>533,512</u>	<u>(180,800)</u>
Expenditures				
Instruction				
Professional & Tech Services	0	200,000	164,968	35,032
Supplies	0	40,000	5,950	34,050
Total Instruction	<u>0</u>	<u>240,000</u>	<u>170,918</u>	<u>69,082</u>
Support Services				
General Administration				
Professional & Tech Services	0	397,811	341,156	56,655
Other Purchased Services	0	72,501	72,501	0
Supplies	0	4,000	1,731	2,269
Total General Administration	<u>0</u>	<u>474,312</u>	<u>415,388</u>	<u>58,924</u>
Total Support Services	<u>0</u>	<u>474,312</u>	<u>415,388</u>	<u>58,924</u>
Total Expenditures	<u>0</u>	<u>714,312</u>	<u>586,306</u>	<u>128,006</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(52,794)	(52,794)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (52,794)</u>	<u>\$ (52,794)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (52,794)	
Net Change in Receivables			<u>52,794</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-BEST BUDDIES-27203
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 83,413	\$ 357,608	\$ 244,370	\$ (113,238)
Total Revenues	<u>83,413</u>	<u>357,608</u>	<u>244,370</u>	<u>(113,238)</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	0	8,954	8,953	1
Other Purchased Services	0	259,774	259,774	0
Supplies	0	1,852	1,852	0
Total General Administration	<u>0</u>	<u>270,580</u>	<u>270,579</u>	<u>1</u>
Operation & Maintenance of Plant				
Purchased Property Services	0	936	936	0
Supplies	0	2,679	2,678	1
Total Operation & Maintenance of Plant	<u>0</u>	<u>3,615</u>	<u>3,614</u>	<u>1</u>
Total Support Services	<u>0</u>	<u>274,195</u>	<u>274,193</u>	<u>2</u>
Total Expenditures	<u>0</u>	<u>274,195</u>	<u>274,193</u>	<u>2</u>
Excess (Deficiency) of Revenues Over Expenditures	83,413	83,413	(29,823)	(113,236)
Cash Balance Beginning of Year	<u>(83,413)</u>	<u>(83,413)</u>	<u>(83,413)</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(113,236)</u>	\$ <u>(113,236)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (29,823)	
Net Change in Receivables			29,823	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-ASSETS SCHOOL PROJECTS-27205
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 0	\$ 2,041,000	\$ 1,628,419	\$ (412,581)
Total Revenues	<u>0</u>	<u>2,041,000</u>	<u>1,628,419</u>	<u>(412,581)</u>
Expenditures				
Instruction				
Professional & Tech Services	0	195,326	195,326	0
Other Purchased Services	0	71,613	8,105	63,508
Supplies	0	1,191,061	1,191,061	0
Supply Assets	0	486,000	289,716	196,284
Total Instruction	<u>0</u>	<u>1,944,000</u>	<u>1,684,208</u>	<u>259,792</u>
Support Services				
General Administration				
Professional & Tech Services	0	97,000	97,000	0
Total General Administration	<u>0</u>	<u>97,000</u>	<u>97,000</u>	<u>0</u>
Total Support Services	<u>0</u>	<u>97,000</u>	<u>97,000</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>2,041,000</u>	<u>1,781,208</u>	<u>259,792</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(152,789)	(152,789)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (152,789)</u>	<u>\$ (152,789)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (152,789)	
Net Change in Receivables			152,789	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Regional Education Cooperative # 7 (Cooperative) , has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the REC's accounting policies are described below.

Financial Reporting Entity

The ten Regional Cooperative Centers established throughout New Mexico in 1984 were originally organized to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds.

The role of the Cooperatives has expanded under the authorization of the regional coordinating councils to include a variety of other projects, both federally funded and funded from other sources.

The REC through the governing council, has established as its purpose the delivery to local RECs and communities those services deemed critical to the ongoing success of regular and special education programs provided by the local agencies.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the REC is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the REC may, without the approval or consent of another governmental entity, determine or modify its own budget with approval of the Public Education Department.

The REC has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected REC members are financially accountable. There are no other primary governments with which the Board Members are financially accountable.

The accounts of the REC are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following funds are used by the REC:

Governmental Funds

Governmental funds are used to account for the REC's general government activities.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The REC reports the following major governmental funds:

GENERAL FUND

REC Operating Fund (27101)

To account for revenues and expenditures of the REC not encompassed within other funds.

SPECIAL REVENUE FUNDS

Medicaid (25153)

To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

IDEA B Entitlement (27106)

To account for a program funded by a Federal grant to assist the REC in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

Pre K Initiative (27149)

To account for revenues and expenditures from a state grant provided for the running of the Pre K program. The fund was created by state grant provisions.

IDEA B State Directed Activities (27201)

To account for funds received from the New Mexico Public Education Department for the support and direct services, including technical assistance, preparation and professional development and training. To support capacity building activities and improve the delivery of services by local agencies to improve results for children with disabilities. The fund was created by state provisions.

Best Buddies (27203)

To account for expenditures resulting from a contract between the REC and Best Buddies International, Inc. (a non-profit organization) for the purpose of implementing and managing Project SEARCH. The fund was created by management.

ASSETS School Projects (27205)

To account for expenditures to achieve increased student performance. ASSETS will establish and implement a coordinated system for personnel development that (1) increases the capacity of schools to navigate statewide demands, (2) supports and maintains a blended model of academic and behavioral supports with a Response to Intervention framework, and (3) ensures sustainability. The fund was created by management.

Additionally, the REC reports the following as non-major fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Measurement Focus and Basis of Accounting
Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole.

STATE OF NEW MEXICO
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The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself; program revenues reduce the cost of the function to be financed from the REC's general revenues. Program revenues include program-specific operating grants funded by the Federal Department of Education and the State Public Education Department.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the REC financial statements.

Revenues

Entitlement and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Revenue Recognition for Grants.

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school RECs and RECs).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.
4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

Other receipts become measurable and available when cash is received by the REC and are recognized as revenue at that time.

STATE OF NEW MEXICO
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Notes to the Financial Statements
June 30, 2015

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General and Special Revenue Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

The REC follows the following procedures in establishing data reflected in the financial statements:

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the REC for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the REC shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local board at the public hearing of which notice has been published by the local board which fixed the estimated budget for the REC for the ensuing fiscal year.
3. The "operating" budget will be used by the REC until they have been notified that the budget has been approved by the SBFAU and the local board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The REC shall make corrections, revisions and amendments to the estimated budgets fixed by the local board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No board member or officer or employee of the REC shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the REC and approved by the SBFAU.
7. Legal budget control for expenditures is by function.

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8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the REC has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Cash and Cash Equivalents

The REC's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The REC is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the REC may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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Notes to the Financial Statements
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Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the REC as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings	25 Years
Building Improvements	7 Years
Vehicles	7-8 Years
Equipment	5 Years
Information Technology Equipment and Software	3-5 Years
Library Books (if material)	3-5 Years

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law.

Assigned fund balance is a classification for governmental fund balance reporting that includes amounts that the governmental entity intends to use for specific purposes.

Restricted fund balance includes amounts that have constraints placed on their use that are (a) externally imposed by grantors, laws or regulation of other governments or (b) imposed by enabling legislation.

Unassigned fund balance is the residual classification used for reporting spendable fund balance in the General Fund that represents amounts that have not been committed or assigned or restricted.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Compensated Absences

All 12-month or full time employees earn vacation and sick leave in amounts varying with tenure and classification. Employees earn 10 days if employed less than 3 years and 15 days if employed more than 3 years. There is no maximum accumulation.

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The REC's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B: DEPOSIT AND INVESTMENTS

Wells Fargo

<u>Name of Account</u>		<u>Balance Per Bank 6/30/15</u>	<u>Reconciled Balance</u>	<u>Type</u>
REC #7/FBO Hobbs Municipal Schools	Checking	\$ 591,107	\$ 393,130	Non-interest
REC VII Payroll Account	Checking	9,570	163	Non-interest
TOTAL Deposited		600,677	\$ 393,293	
Less: FDIC Coverage		(250,000)		
Uninsured Amount		350,677		
50% collateral requirement		175,339		
Pledged securities		404,559		
Over (Under) requirement		\$ 229,221		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA-PT	3138A76W3	\$ 61,635	4/1/2041	NY Mellon, NY
FNMA-PT	3138ANHX4	60,530	8/1/2041	NY Mellon, NY
FNMA-PT	3138AXSR3	63,598	11/1/2041	NY Mellon, NY
FNMA-PT	3138E2TA3	87,635	1/1/2042	NY Mellon, NY
FNMA-PT	3138MRX30	62,819	1/1/2043	NY Mellon, NY
FNMA-PT	3138AUL96	68,342	10/1/2041	NY Mellon, NY
		\$ 404,559		

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Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	0
Collateral held by the pledging bank in REC's name	404,559
Uninsured and uncollateralized	0
Total Deposits	\$ <u>600,677</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2015 none of the REC's bank balance of \$600,677 was exposed to custodial credit risk.

NOTE C: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Balances during the year ending June 30, 2015 were as follows:

<u>Payable Funds</u>	<u>Receivable Funds</u>			
	IDEA B Entitlement 24106	Pre K Initiative 27149	ASSETS 27201	Best Buddies 27203
General Fund	\$ 44,485	\$ 139,835	\$ 52,794	\$ 18,906
Medicaid				94,330
Totals	\$ <u>44,485</u>	\$ <u>139,835</u>	\$ <u>52,794</u>	\$ <u>113,236</u>

	ASSETS School Projects 27205	Other Governmental Funds	Total
General Fund	\$ 0	\$ 0	\$ 256,020
Medicaid	152,789	83,221	330,340
Totals	\$ <u>152,789</u>	\$ <u>83,221</u>	\$ <u>586,360</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the General Fund and the Medicaid Fund. All transactions will be repaid within one year.

NOTE D: CAPITAL ASSETS

Capital Assets Balances and Activity for the fiscal year end is as follows:

	Beginning Balance 6/30/14	Increases	Adjustment	Ending Balance 6/30/15
Governmental Activities				
Other Capital Assets				
Building	\$ 103,048	\$ 0	\$ 0	\$ 103,048
Equipment	39,988	0	0	39,988
Total Capital Assets at Historical Cost	<u>143,036</u>	<u>0</u>	<u>0</u>	<u>143,036</u>
Less Accumulated Depreciation				
Building	87,329	3,352	0	90,681
Equipment	39,988	0	0	39,988
Total Accumulated Depreciation	<u>127,317</u>	<u>3,352</u>	<u>0</u>	<u>130,669</u>
Capital Assets, net	\$ <u>15,719</u>	\$ <u>(3,352)</u>	\$ <u>0</u>	\$ <u>12,367</u>

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Depreciation expense was charged to governmental activities as follows:

Central Services	\$ 2,152
Operations & Maintenance of Plant	1,200
Total Depreciation Expenses	<u>\$ 3,352</u>

NOTE F: COMPENSATED ABSENCES

The following is a summary of compensated absences transactions:

Accrued compensated absences, July 1, 2014	\$ 16,905
Current year additions	12,149
Current year used	16,212
Accrued compensated absences, June 30, 2015	<u>\$ 12,842</u>

NOTE G: PENSION PLAN

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits provided. A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

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Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

The contribution requirements of defined benefit plan members and the REC are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the REC were \$36,700 for the year ended June 30, 2015.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the REC reported a liability of \$420,504 for its proportionate share of the net pension liability. The REC's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the REC proportion was .00737 percent, which was an increase of .00082 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the REC recognized pension expense of \$42,382. At the June 30, 2015, the REC reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ (6,267)
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	(38,248)
Changes in proportion and differences between (name of employer) contributions and proportionate share of contributions	38,105	
REC contributions subsequent to the measurement date	36,700	0
Total	\$ <u>74,805</u>	\$ <u>(44,515)</u>

\$36,700 reported as deferred outflows of resources related to pensions resulting from REC's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 1,501
2017	1,501
2018	174
2019	(9,586)
Total	\$ <u>(6,410)</u>

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Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30- year return assumptions are summarized in the following table:

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Asset Class	2014	2013
	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return
Cash	1.50%	75.00%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	75.00%
Global Bonds (Hedged)	1.38%	93.00%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the REC's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the REC's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The REC's proportionate share of the net pension liability	\$ 572,147	\$ 420,505	\$ 294,015

Pension plan fiduciary net position. Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at www.nmerb.org.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASB Statement 68, paragraphs 122 and 124.

NOTE H: RETIREE HEALTH CARE ACT CONTRIBUTIONS

Plan Description. The REC contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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Notes to the Financial Statements
June 30, 2015

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The REC's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$5,284, \$4,065 and \$3,589 respectively, which equal the required contributions for each year.

NOTE I: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are located at the bottom of each budget actual schedule.

NOTE J: INSURANCE COVERAGE

The REC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The REC, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the REC to NMPSIA for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Crime

NOTE K: SURETY BOND

The officials and certain employees of the NEREC are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

NOTE L: JOINT POWERS AGREEMENTS AND OTHER AGREEMENTS

Eunice Public Schools, Hobbs Municipal Schools, Jal Public Schools, Tatum Municipal Schools (Member RECs) and Regional Education Cooperative VII

On December 20, 2007 the Cooperative entered into an Agreement with the Member RECs whereby the Member REC may provide for the efficient delivery of education-related services provided from funding under Part B of the Individuals with Disabilities Education Act, 20 U.S.C. et seq. ("IDEA") and funded by the New Mexico Public Education Department ("NMPED"). The Cooperative will serve as a fiscal agent, accounting and reporting services on behalf of the Member RECs named herein receiving funding under a grant or other award provided from funding under Part B of the IDEA and/or any other funding source. A Member REC must notify REC VII of any intention to withdraw its agreement to have REC VII serve as its fiscal agent on or before February 1st preceding the end of the last fiscal year it intends to have REC VII serve as the fiscal agent.

New Mexico Human Services Department

On March 10, 2003 the Cooperative entered into a Joint Powers Agreement with the New Mexico Human Services Department (HSD). The purpose of this agreement is to set forth the requirements for the Cooperative to participate in the Medicaid program as a provider of school based health services in conformance with the approved New Mexico Medicaid Plan and the HSD Medicaid regulations in order to improve health and developmental outcomes to children. The Agreement shall remain in effect until amended or terminated by either party upon written notice delivered to the other party no less than ninety (90) days prior to the intended date of termination. If the Centers for Medicare and Medicaid Services (CMS) changes the funding methodology for the New Mexico Medicaid program, or state or federal legislation is enacted, or Medicaid policy is promulgated changes that materially modifies either of the parties obligations under this Agreement, the Agreement will be terminated effective on the date of receipt by HSD of written notice of such changes.

NOTE N: RELATED PARTY

Vice-President of the Board wife own's Little Therapy Services, LLC. The REC has contracted services and has paid a total of \$10,985.66 for the year.

NOTE O: RESTATEMENT

Net Position was restated \$(384,532) for the Pension Liability.

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

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June 30, 2015

SPECIAL REVENUE FUNDS

IDEA Preschool (27109)

To account for a program funded by a Federal grant to assist the REC in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

IDEA B Risk Pool (27120)

To account for an additional allocation from PED to fund children at risk. The program is funded by a Federal grant to assist the REC in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

English Language Acquisition (27153)

To account for revenues and expenditures received from a federal grant provided to develop school-wide programs for limited English proficient students that reform, restructure, and upgrade all relevant programs. The fund was created by the Elementary and Secondary Education Act of 1965, as amended, Title VII, Part A.

Teacher & Principal Training (27154)

To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

IDEA B State Directed (27202)

To account for expenditures related to an agreement between the REC and the PED for the purpose of providing assistance to the participating districts to meet standards of the State Performance Plan Indicators and School Grading. The fund was created by management.

NMAA (27204)

To account for expenditures to provide financial support for athletic and extracurricular activities and support for public school students. The fund was created by management.

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 SPECIAL REVENUE FUNDS
 Combining Balance Sheet
 June 30, 2015

	IDEA Preschool 27109	IDEA B Risk Pool 27120	English Language Acquisition 27153
ASSETS			
Receivables	\$ 5,613	\$ 304	\$ 0
Total Assets	<u>\$ 5,613</u>	<u>\$ 304</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Interfund Balance	\$ 5,613	\$ 304	\$ 0
Total Liabilities	<u>5,613</u>	<u>304</u>	<u>0</u>
Fund Balance			
Restricted for			
Special Revenue Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 5,613</u>	<u>\$ 304</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2015

	Teacher & Principal Training <u>27154</u>	IDEA B State Directed <u>27202</u>	NMAA <u>27204</u>
ASSETS			
Receivables	\$ 20,858	\$ 37,241	\$ 19,205
Total Assets	<u>\$ 20,858</u>	<u>\$ 37,241</u>	<u>\$ 19,205</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Interfund Balance	\$ 20,858	\$ 37,241	\$ 19,205
Total Liabilities	<u>20,858</u>	<u>37,241</u>	<u>19,205</u>
Fund Balance			
Restricted for			
Special Revenue Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 20,858</u>	<u>\$ 37,241</u>	<u>\$ 19,205</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2015

	<u>Total</u>
ASSETS	
Receivables	\$ 83,221
Total Assets	<u>\$ 83,221</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Current Liabilities	
Interfund Balance	\$ 83,221
Total Liabilities	<u>83,221</u>
Fund Balance	
Restricted for	
Special Revenue Funds	<u>0</u>
Total Fund Balance	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 83,221</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	IDEA Preschool 27109	IDEA B Risk Pool 27120	English Language Acquisition 27153
Revenues			
Charge for Services	\$ 17,767	\$ 2,263	\$ 0
Total Revenues	<u>17,767</u>	<u>2,263</u>	<u>0</u>
Expenditures			
Current Operations			
Instruction	13,233	2,263	0
Support Services			
Students	4,256	0	0
General Administration	0	0	0
School Administration	0	0	0
Central Services	0	0	0
Food Service	278	0	0
Total Expenditures	<u>17,767</u>	<u>2,263</u>	<u>0</u>
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	Teacher & Principal Training <u>27154</u>	IDEA B State Directed <u>27202</u>	NMAA <u>27204</u>
Revenues			
Charge for Services	\$ 36,106	\$ 175,845	\$ 66,981
Total Revenues	<u>36,106</u>	<u>175,845</u>	<u>66,981</u>
Expenditures			
Current Operations			
Instruction	29,967	38,463	0
Support Services			
Students	95	98,329	0
General Administration	1,385	12,846	66,981
School Administration	4,659	12,713	0
Central Services	0	13,494	0
Food Service	0	0	0
Total Expenditures	<u>36,106</u>	<u>175,845</u>	<u>66,981</u>
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUNDS
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	<u>Total</u>
Revenues	
Charge for Services	\$ 298,962
Total Revenues	<u>298,962</u>
Expenditures	
Current Operations	
Instruction	83,926
Support Services	
Students	102,680
General Administration	81,212
School Administration	17,372
Central Services	13,494
Food Service	<u>278</u>
Total Expenditures	<u>298,962</u>
Net Change in Fund Balance	0
Fund Balance Beginning of Year	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA PRESCHOOL-27109
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 3,200	\$ 71,663	\$ 15,354	\$ (56,309)
Total Revenues	<u>3,200</u>	<u>71,663</u>	<u>15,354</u>	<u>(56,309)</u>
Expenditures				
Instruction				
Professional & Tech Services	0	3,000	118	2,882
Supplies	0	28,765	10,979	17,786
Supply Assets	0	28,550	2,136	26,414
Total Instruction	<u>0</u>	<u>60,315</u>	<u>13,233</u>	<u>44,200</u>
Support Services				
Students				
Professional & Tech Services	0	6,100	4,096	2,004
Other Purchased Services	0	500	160	340
Supplies	0	1,048	0	1,048
Supply Assets	0	0	0	0
Total Students	<u>0</u>	<u>7,648</u>	<u>4,256</u>	<u>3,392</u>
Total Support Services	<u>0</u>	<u>7,648</u>	<u>4,256</u>	<u>3,392</u>
Food Service				
Supplies	0	500	278	222
Total Food Service	<u>0</u>	<u>500</u>	<u>278</u>	<u>222</u>
Total Expenditures	<u>0</u>	<u>68,463</u>	<u>17,767</u>	<u>47,814</u>
Excess (Deficiency) of Revenues Over Expenditures	3,200	3,200	(2,413)	(5,613)
Cash Balance Beginning of Year	<u>(3,200)</u>	<u>(3,200)</u>	<u>(3,200)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,613)</u>	<u>\$ (5,613)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,413)	
Net Change in Receivables			<u>2,413</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA B RISK POOL-27120
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 825	\$ 3,088	\$ 2,784	\$ (304)
Total Revenues	<u>825</u>	<u>3,088</u>	<u>2,784</u>	<u>(304)</u>
Expenditures				
Instruction				
Supplies	0	2,263	2,263	0
Total Instruction	<u>0</u>	<u>2,263</u>	<u>2,263</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>2,263</u>	<u>2,263</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	825	825	521	(304)
Cash Balance Beginning of Year	<u>(825)</u>	<u>(825)</u>	<u>(825)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (304)</u>	<u>\$ (304)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 521	
Net Change in Receivables			<u>(521)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-ENGLISH LANGUAGE ACQUISITION-27153
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 6,799	\$ 6,799	\$ 6,799	\$ 0
Total Revenues	<u>6,799</u>	<u>6,799</u>	<u>6,799</u>	<u>0</u>
Expenditures				
Instruction				
Professional & Tech Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	6,799	6,799	6,799	0
Cash Balance Beginning of Year	<u>(6,799)</u>	<u>(6,799)</u>	<u>(6,799)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 6,799	
Net Change in Receivables			<u>(6,799)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-TEACHER/PRINCIPAL TRAINING-27154
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 14,960	108,938	\$ 30,626	\$ (78,312)
Total Revenues	<u>14,960</u>	<u>108,938</u>	<u>30,626</u>	<u>(78,312)</u>
Expenditures				
Instruction				
Professional & Tech Services	0	61,116	30,385	30,731
Total Instruction	<u>0</u>	<u>61,116</u>	<u>30,385</u>	<u>30,731</u>
Support Services				
Students				
Professional & Tech Services	0	8,315	95	8,220
Total Students	<u>0</u>	<u>8,315</u>	<u>95</u>	<u>8,220</u>
General Administration				
Professional & Tech Services	0	7,862	0	7,862
Other Purchased Services	0	1,385	1,385	0
Total General Administration	<u>0</u>	<u>9,247</u>	<u>1,385</u>	<u>7,862</u>
School Administration				
Professional & Tech Services	0	15,300	4,659	10,641
Total School Administration	<u>0</u>	<u>15,300</u>	<u>4,659</u>	<u>10,641</u>
Total Support Services	<u>0</u>	<u>32,862</u>	<u>6,139</u>	<u>26,723</u>
Total Expenditures	<u>0</u>	<u>93,978</u>	<u>36,524</u>	<u>57,454</u>
Excess (Deficiency) of Revenues Over Expenditures	14,960	14,960	(5,898)	(20,858)
Cash Balance Beginning of Year	<u>(14,960)</u>	<u>(14,960)</u>	<u>(14,960)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (20,858)</u>	<u>\$ (20,858)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (5,898)	
Net Change in Receivables			5,479	
Net Change in Accounts Payable			419	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-IDEA B STATE DIRECTED-27202
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 336,771	\$ 541,914	\$ 503,732	\$ (38,182)
Total Revenues	<u>336,771</u>	<u>541,914</u>	<u>503,732</u>	<u>(38,182)</u>
Expenditures				
Instruction				
Other Purchased Services	0	31,000	31,000	0
Supplies	0	6,000	5,974	26
Supply Assets	0	2,107	1,489	618
Total Instruction	<u>0</u>	<u>39,107</u>	<u>38,463</u>	<u>644</u>
Support Services				
Students				
Professional & Tech Services	0	125,562	125,491	71
Supplies	0	817	695	122
Supply Assets	0	500	500	0
Total Students	<u>0</u>	<u>126,879</u>	<u>126,686</u>	<u>193</u>
General Administration				
Other Purchased Services	0	12,943	12,846	97
Total General Administration	<u>0</u>	<u>12,943</u>	<u>12,846</u>	<u>97</u>
School Administration				
Other Purchased Services	0	12,714	12,713	1
Total School Administration	<u>0</u>	<u>12,714</u>	<u>12,713</u>	<u>1</u>
Central Services				
Other Purchased Services	0	13,500	13,494	6
Total Central Services	<u>0</u>	<u>13,500</u>	<u>13,494</u>	<u>6</u>
Total Support Services	<u>0</u>	<u>166,036</u>	<u>165,739</u>	<u>297</u>
Total Expenditures	<u>0</u>	<u>205,143</u>	<u>204,202</u>	<u>941</u>
Excess (Deficiency) of Revenues Over Expenditures	336,771	336,771	299,530	(37,241)
Cash Balance Beginning of Year	<u>(336,771)</u>	<u>(336,771)</u>	<u>(336,771)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (37,241)</u>	<u>\$ (37,241)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 299,530	
Net Change in Receivables			(327,887)	
Net Change in Accounts Payable			28,357	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
SPECIAL REVENUE FUND-NMAA-27204
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 0	\$ 100,000	\$ 47,776	\$ (52,224)
Total Revenues	<u>0</u>	<u>100,000</u>	<u>47,776</u>	<u>(52,224)</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	0	4,000	4,000	0
Other Purchased Services	<u>0</u>	<u>96,000</u>	<u>62,981</u>	<u>33,019</u>
Total General Administration	<u>0</u>	<u>100,000</u>	<u>66,981</u>	<u>33,019</u>
Total Support Services	<u>0</u>	<u>100,000</u>	<u>66,981</u>	<u>33,019</u>
Total Expenditures	<u>0</u>	<u>100,000</u>	<u>66,981</u>	<u>33,019</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(19,205)	(19,205)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (19,205)</u>	<u>\$ (19,205)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (19,205)	
Net Change in Receivables			<u>19,205</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

REQUIRED SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
Schedules of Required Supplementary Information

Schedule of the REC's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	<u>2015</u>
ERB's proportion of the net pension liability	0.00737%
REC's proportionate share of the net pension liability	\$ 420,505
REC's covered-employee payroll	\$ 264,032
REC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.79%
Plan fiduciary net position as a percentage of the total pension liability	66.54%

Schedule of REC's Contributions

Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contribution	\$ 36,700
Contributions in relation to the contractually required contribution	\$ 36,700
Contribution deficiency (excess)	0
REC's covered-employee payroll	\$ 264,032
Contributions as a percentage of covered-employee payroll	13.90%

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the REC will present information for those years for which information is

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

REGIONAL EDUCATION COOPERATIVE # 7

Notes to Required Supplementary Information

For the Year Ended June 30, 2015

Changes of benefit terms. The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

Changes of assumptions.

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on April 26, 2013, ERB implemented the following changes in assumptions for fiscal years 2014 and 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:

- a. Lower wage inflation from 4.75% to 4.25%
- b. Lower payroll growth from 3.75% to 3.50%
- c. Minor changes to demographic assumptions
- d. Population growth per year from 0.75% to 0.50%

2. Assumptions that were not changed:

- a. Investment return will remain at 7.75%
- b. Inflation will remain at 3.00%

See also the Actuarial Assumptions subsection of the financial statement note disclosure General Information on the Pension Plan.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Cash Reconciliation
 For the Year Ended June 30, 2015

		Beginning Cash Balance <u>6/30/14</u>	Revenue	Expenses	Ending Cash Balance <u>6/30/15</u>
Federal Direct	25000	\$ 607,932	\$ 480,288	\$ 364,587	\$ 723,633
State Flowthrough	27000	(556,832)	5,095,927	4,869,435	(330,340)
Total		<u>\$ 51,100</u>	<u>\$ 5,576,215</u>	<u>\$ 5,234,022</u>	<u>\$ 393,293</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
REGIONAL EDUCATION COOPERATIVE # 7
 Vendor Schedule
 For the Year Ended June 30, 2015

Bid or Quote Number: 14-15-1
 Contract Amount: \$85 hourly rate, amount paid \$82,809
 Preference: None
 Scope of the work: Ancillary Services
 Contracting Vendor: All About Therapy
 PO Box 504
 Bushland, TX 79012

Bid or Quote Number: 14-15-1
 Contract Amount: \$78,000.00
 Preference: None
 Scope of the work: Ancillary Services
 Contracting Vendor: CARE, LLC.
 4225 Weddington Matthews Rd.
 Matthews, NC 28104

<u>Other Vendors responding to the bid:</u>	Addresses		
360 Degree Therapy	4423 Fortran Dr., Ste#114	Colorado Springs, CO	95134
Prestige Speech Therapy Services	1209 W CoChiti	Hobbs, NM	88240
Soliant Health	1979 Lakeside PKW Ste 800	Atlanta GA	30084
Southwest Speech Services	5428 70th Place	Lubbock, TX	79424
Speech & Language Diagnostic Services	2909 N Flamingo	Hobbs, NM	88240

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Regional Education Cooperative #7

Mr. Keller and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Regional Education Cooperative #7 (REC) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the REC's basic financial statements, and the combining and individual funds and related budgetary comparisons of the REC, presented as supplemental information, and have issued our report thereon dated September 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the REC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the REC's internal control. Accordingly, we do not express an opinion on the effectiveness of the REC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the REC's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the REC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "De'Ann Willoughby CPA PC". The signature is written in a cursive style.

Clovis, New Mexico
September 29, 2015

Federal Compliance Findings

Prior Year Audit Findings None

Current Year Audit Findings None

Financial Statements Findings

Prior Year Audit Findings	<u>Status</u>
2014-001 Disposal of Capital Assets	Resolved
2014-002 State Grant Expended out of Federal Fund	Resolved
2014-003 Payroll Clearing Account	Resolved
2014-004 PED Cash Reports	Resolved
2014-005 Budget Violations	Resolved
2014-006 1099's	Resolved

Current Year Audit Findings

None

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on September 29, 2015 with Dwain Haynes-Board President, Belinda Morris-Executive Director, Karen Soria-Business Manager, and De'Aun Willoughby, CPA.